

Research Update:

Smithville, MO Series 2025 Certificates Of Participation Rated 'A+'; Outlook Is Stable

August 19, 2025

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to the City of [Smithville](#), Mo.'s \$8.5 million series 2025 certificates of participation (COPs).
- At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on the city's existing general obligation (GO) bonds and its 'A+' rating on the city's COPs outstanding.
- The outlook is stable.
- The rating is based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

Lease rental payments by the city, as lessee, to UMB Bank N.A., as lessor, secure the existing and 2025 COPs. We rate the COPs one notch lower than the city's general creditworthiness to account for the annual appropriation risk associated with the lease payment. The city intends to make rental payments primarily from water and sewer revenue. In our view, the lease features and terms are standard, with no unusual risks regarding timely payment of debt.

The city will use the lease proceeds for water and sewer improvement projects.

Credit highlights

The rating reflects Smithville's forward-looking budgeting and growing economy and healthy reserves. While the economic metrics are weaker at the county level, the city is just 20 miles north of Kansas City and has experienced rapid residential and commercial growth due to its location, which we expect will continue given its positive population trend. The general fund is primarily reliant on sales tax and property tax revenue, which made up 38% and 17% of 2024

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revenue, respectively, so we expect the city's economic growth, as well as its conservative budgeting practices, will allow it to maintain financial stability despite rising expenses.

Smithville posted surpluses in 2023 and 2024 due to interest income and sales tax revenue exceeding its budgeted expectations. The city implemented a salary adjustment to address recruitment and retention issues citywide and expects its personnel costs could exceed revenue growth in the future, resulting in a projected deficit of \$153,000 (2% of revenue) in fiscal 2025, though management expects results will be closer to breakeven given their conservative revenue projections. The preliminary fiscal 2026 budget reflects a general fund deficit of \$776,000 (11% of revenue), but management projects a deficit similar to 2025, and its multiyear projections indicate reserves could come below 25% of expenditures in fiscal 2028. However, the budget and multiyear projections do not include additional revenue from a 0.5% public safety sales tax that the city will begin collecting in fiscal 2026, which management expects will provide \$700,00 in additional revenue for public safety related expenses (including personnel), freeing up revenue for personnel costs for nonpublic safety staff. In addition, management typically underestimates revenues and proactively manages one-time and personnel expenses during the year to align with actual revenues. We expect the growth in the local economy, as well as the implementation of the new revenue source, will allow the city to maintain balanced results in future fiscal years.

The rating reflects our assessment of the following factors:

- Location in Clay County, where gross county product per capita and county per capita personal incomes lag the national average. The city, however, benefits from its access to the Kansas City metropolitan statistical area (MSA) and is experiencing robust residential growth, adding 652 new housing units in the past four years, with the population growing by 21.4% over the past 10 years.
- Healthy cash-based reserves that we expect will continue to exceed the formal 25% of expenditures policy. In fiscal 2022, the board reduced its reserve target from 40% to 25% to invest in infrastructure and personnel needs. With the deficits in fiscals 2025 and 2026, we expect reserves will remain healthy at approximately 55% of revenue in 2025 and 45% of revenue in 2026.
- Forward-looking budgeting practices, with detailed and robust annual budget documents, monthly budget-to-actual reports provided to the board, and basic investment and reserve policies. The city maintains an annually updated financial and capital plan and its cybersecurity practices align with those of peers.
- Manageable debt burden on a per capita basis. The city's existing 2018 COPs and the proposed 2025 COPs are being paid out of the water and sewer fund, which has historically demonstrated consistently sufficient coverage. With this self-supporting debt, the per capita burden is about \$1,100, and we do not expect the additional debt will have a significant impact on the city's cost of debt and liabilities as a percent of revenue.
- We expect pension costs will remain manageable because contributions are in line with our minimum funding progress threshold.
- For more information on our institutional framework assessment for Missouri cities, see ["Institutional Framework Assessment: Missouri Local Governments,"](#) Sept. 10, 2024.

Environmental, social, and governance

We consider social and governance factors as neutral in our credit rating analysis. The city is susceptible to flooding, but the nearby Smithville Lake was designed as a flood control reservoir

and helps manage water levels and reduce flood risks. Smithville also has flood insurance coverage and maintains its stormwater infrastructure to reduce flooding risk, therefore we consider environmental factors neutral.

Outlook

The stable outlook reflects our expectation that the city will maintain reserves above its formal policy level despite increasing expenditures given the passage of the 0.5% public safety sales tax and its steadily growing economy.

Downside scenario

We could lower the rating if reserves deteriorate to nominally lower levels or drop below the city’s reserve policy of 25% of expenditures.

Upside scenario

We could raise the rating if the city demonstrates consistently positive financial performance with the implementation of salary increases and the new 0.5% public safety sales tax with reserves remaining well above its formal reserve policy.

Smithville, Missouri--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.28
Economy	3.5
Financial performance	3
Reserves and liquidity	1
Management	1.65
Debt and liabilities	2.25

Smithville, Missouri--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	80	--	80	81
County PCPI % of U.S.	86	--	86	86
Market value (\$000s)	1,411,205	1,267,447	1,087,851	1,019,746
Market value per capita (\$)	130,691	117,378	100,998	95,294
Top 10 taxpayers % of taxable value	8.4	--	--	--
County unemployment rate (%)	3.5	3.2	2.8	2.6
Local median household EBI % of U.S.	121	121	113	119
Local per capita EBI % of U.S.	91	91	86	96
Local population	10,798	10,798	10,771	10,701
Financial performance				
Operating fund revenues (\$000s)	--	7,146	6,349	5,347
Operating fund expenditures (\$000s)	--	7,653	6,321	5,909
Net transfers and other adjustments (\$000s)	--	657	490	410

Smithville, Missouri--key credit metrics

	Most recent	2024	2023	2022
Operating result (\$000s)	--	150	518	(152)
Operating result % of revenues	--	2.1	8.2	(2.8)
Operating result three-year average %	--	2.5	3.1	(0.8)
Reserves and liquidity				
Available reserves % of operating revenues	--	58.3	62.4	64.1
Available reserves (\$000s)	--	4,167	3,964	3,425
Debt and liabilities				
Debt service cost % of revenues	--	10.2	14.0	3.8
Net direct debt per capita (\$)	2,551	1,768	1,834	1,953
Net direct debt (\$000s)	27,547	19,096	19,757	20,902
Direct debt 10-year amortization (%)	45	51	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	3.0
NPLs per capita (\$)	--	159	71	60
Combined NPLs (\$000s)	--	1,713	768	646

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$8.5 mil COPs ser 2025 due 09/01/2045

Long Term Rating A+/Stable

Ratings Affirmed

Local Government

Smithville, MO Lease Appropriation A+/Stable

Smithville, MO Unlimited Tax General Obligation AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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